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C O N F I D E N T I A L SECTION 01 OF 03 BAKU 000919

SIPDIS

EO 12958 DECL: 08/25/2018
TAGS PGOV, PREL, AJ, ENRG
SUBJECT: AZERBAIJAN INCOME TAKES A HIT AS NO SHORT-TERM FIX
LIKELY FOR ACG PRODUCTION PROBLEMS

REF: A. A) BAKU 897 B. B) BAKU 883

Classified By: Ambassador Anne E. Derse, Reasons 1.4 (b,d)

¶1. (C) SUMMARY. As Operator BP continues to look for the cause of the gas leak in its offshore ACG oil mega-field that has resulted in slashed
CHAIN OF EVENTS

¶2. (C) ACG Operator BP has been exceptionally circumspect in disseminating information about the ACG gas leak, both to the public and to its partners.
- On September 17 bubbles appeared in the waters around the Central Azeri (CA) Platform, one of the major platforms in Azerbaijan's offshore ACG field.
- Shortly thereafter, a related gas-reinjection well (B-17) for Central Azeri had a blowout, expelling water, mud and gas.
- The BP Offshore Installation Manager decided to evacuate the platform, sounding the "muster" alarm at 0900 hours, evacuating the 211 workers.
- BP then shut in production at the Central Azeri field and the Eastern Azeri field. Shortly thereafter production from the Western Azeri field was also shut in.
- There have been no visible signs of gas noted on the water's surface since September 19 (which does not mean gas is no longer flowing). However, the Azeri government has stated that the leak is still occurring.

POSSIBLE CAUSES

¶3. (C) According to Embassy interlocutors, there are three possible causes for this leak (in order of increasing severity and longer times needed to fix):
- Leak in a Gas Flowline: this was the least likely cause (and the easiest to fix), since a flowline pressure drop would have been detected. BP has stated that the leak is still occurring.
- Well Failure: Simply put, this is operator error, most likely a bad cement job around a well, or a split casing, causing a gas leak. The fact that the leak is still occurring suggests this is not the cause.
- Formation Damage: A geologic event in the sub-seafloor around the platform, to include a sea breach of the oil/gas formation (possibly due to a mud volcano). A mud volcano is 1.5 kilometers away from the CA Platform. If formation damage is the leak's cause, the length of time needed to fix the problem is unknown.

ACTIONS TAKEN

¶4. (C) BP's have pursued a multiprong strategy of data acquisition to determine the gas leak's cause, to include:
- Review of existing well data, to include the cement logs (for when the cement around the well casings was poured, to see if a faulty cement job caused the leak). BP has stated that the leak is still occurring.
- Remotely Operated Vehicle (ROV) surveys: BP has done and will continue to conduct underwater ROV surveys around Central Azeri.
- Reboard of CA Platform: Experts from Boots and Coots will seek to re-board the CA Platform on September 27 to, inter alia, take gas samples (including via side-scan sonar, measuring up to 50 meters below the sea floor, to detect the possible presence of shallow gas).

SHALLOW SEISMIC SURVEY?

¶5. (C) If BP is not able to determine the cause by the above methods, it will have to conduct a shallow seismic survey, which measures up to 50 meters below the sea floor.

PRODUCTION ESTIMATES

¶6. (C) Current ACG production has plummeted from 900,000 bpd to 300,000 bpd. BP has said that the West Azeri Platform, currently shut down due to the gas leak, will remain shut down until the cause is determined.

¶7. (C) BP has told Embassy that it is keeping SOCAR informed as to its findings, and that SOCAR is seeking to "plug in" its own experts with t

LOST INCOME

¶8. (C) When asked to hazard a guess as to how much money the GOAJ was losing as a result of this incident, knowledgeable Embassy interlocutors estimated a loss of approximately \$10 million per day.

COMMENT:

¶9. (C) The ACG field is the GOAJ's main revenue-earner, and it is likely that this event is going to seriously impact its income stream in (at least) the short term.